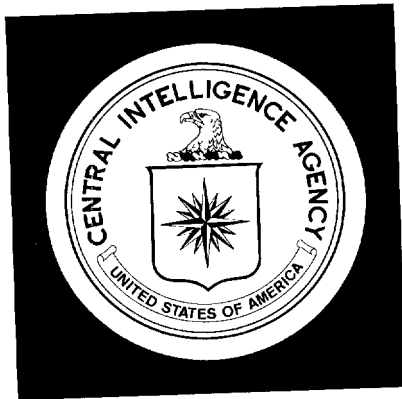


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Weekly Summary

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CI WS 76-024

No. 0024/76

June 11, 1976

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June 11, 1976

The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, the Office of Geographic and Cartographic Research, and the Directorate of Science and Technology.

1 Middle East - Africa
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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary

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Middle East- Africa

LEBANON 1

This week, at the request of Palestine Liberation Organization chairman Yasir Arafat, the Arab League moved to try to put a stop to a bloody showdown between Syrian and Palestinian-leftist forces in Lebanon. League members, meeting in emergency session in Cairo on June 8, agreed with unexpected speed to call for an immediate cease-fire and for the introduction of a "token" pan-Arab force to replace Syrian troops.

Damascus—surprised by the swiftness of the league's action—agreed in principle to comply with a cease-fire. By the end of the week, however, heavy fighting was still going on, suggesting that Syria's agreement is part of a calculated effort to blunt outside interference without totally alienating other Arab states by acting in open defiance of the league.

The dramatic turn of events came as a result of a sudden Syrian move early this week to close out the Lebanese civil war by securing control of Lebanon's main

roads and coastal cities. Last week, Damascus had moved additional forces, including an armored brigade, into northern Lebanon and the Bekaa valley to lift Muslim-leftist sieges on several Christian towns and as a show of force to prod Lebanese negotiators in Beirut.

Concerted attacks last weekend by Palestinian-leftist forces on troops of the Syrian-controlled Saiqa Palestinian group in Beirut, Sidon, and Tyre appear to have triggered the Syrians' decision to advance; many Saiqa offices were sacked and the group sustained heavy casualties. President Asad's aim clearly is to compel the leftists and Palestinians to lay down their arms and accept a negotiated settlement.

By late this week, additional reinforcements from the Syrian 3rd Armored Division and the 7th Infantry Division had brought total Syrian regular force

strength in Lebanon to more than 12,000. The Syrian offensive, however, quickly bogged down on the Damascus-Beirut highway as well as on the outskirts of the southern port city of Sidon. The Syrians encountered strong resistance from the leftist and Palestinian forces, which bought time for Arafat and his supporters to push a cease-fire resolution through the Arab League.

Arab League Resolution

At the league meeting, Iraq, Egypt, and Arafat were especially critical of the Syrian action. The resolution that emerged from the session on June 8, however, represented a compromise between those supporting a Palestinian call for an immediate, unconditional withdrawal of Syrian forces and those hoping to avoid a direct challenge to Damascus.

The resolution carefully avoided

2-3 Soviets Voice Displeasure with Syrian Intervention

The Soviets publicly and privately are voicing dissatisfaction with Syrian actions in Lebanon, but have shown no sign they intend to use their substantial leverage to rein in Damascus.

The Soviets' displeasure was evident in a Tass statement on June 9. Their central concern is Syria, but they also warn both the US and France against military intervention in Lebanon.

The statement calls on all states to refrain from interference in Lebanon. It questions Syrian intentions, saying that while Damascus has "time and again" claimed only to be seeking to stop the bloodshed, the fighting has intensified and is jeopardizing Palestinian interests.

The senior Soviet military attache in Damascus was far more blunt in criticizing Syria during a conversation with his US counterpart on Tuesday. The Soviet said his embassy was "quite confused and unhappy" over the commitment of major Syrian units in Lebanon, viewing their apparent intention as the destruction of the Palestinian-leftist coalition.

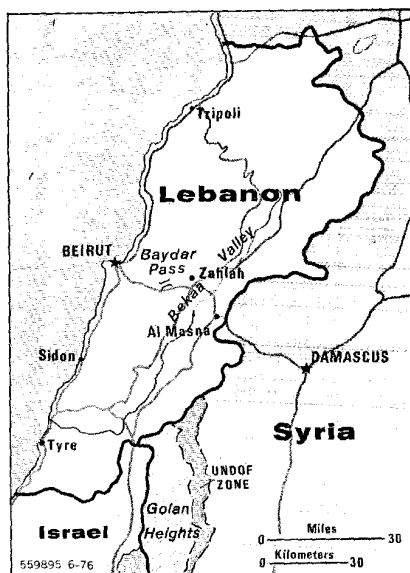
In an unusual display of Soviet bitterness toward Damascus, the attache

said the entry of regular Syrian forces into Lebanon last week was designed to embarrass Premier Kosygin. The attache said that Damascus had not taken Moscow into its confidence and that no Soviet advisers were with Syrian troops.

The attache called the Syrian actions dangerous and said they carry a considerable risk of failure.

These public and private Soviet comments acknowledge that Kosygin's visit failed to resolve the Syrian-Palestinian rift. They do not, however, contain indications that Moscow is considering direct pressure on Damascus. Palestinian and leftist Lebanese leaders have been urging the Soviets to curtail the flow of Soviet arms and munitions into Syria.

Although the Tass statement seems to advise Syria to act cautiously, it does not contain threats. Its only prescription is for an immediate end to the fighting, suggesting that Moscow still hopes to find a way out of the Lebanese problem that does not disrupt its ties to either the Palestinians or the Syrians.



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Yasir Arafat (l) and Arab League Secretary General Riad attend Cairo foreign ministers' meeting to discuss Syria's intervention in Lebanon

criticizing Syria or suggesting that the league was trying to dictate to Damascus; it also did not prescribe a timetable for the replacement of Syrian forces. In fact, the exclusion of Egyptian and Iraqi troop contingents from the proposed Arab force—originally to consist of elements from Sudan, Algeria, Libya, Saudi Arabia, and the PLO in addition to limited Syrian forces—was clearly intended to assuage Syrian sensitivities. Syrian Foreign Minister Khaddam was later able to persuade league members to amend the resolution to include a statement that the PLO must adhere to previous agreements with the Lebanese government that regulate the Palestinian guerrillas' freedom of movement.

Pressure on Asad

Damascus, unhappy with the league's action and on the defensive, has tried to put the best possible face on its present situation by paying lip-service to the cease-fire and publicly welcoming the arrival of Algerian and Libyan troop contributions. Asad has long resisted Arab League involvement, fearing that it would amount to an open admission that Syria could not resolve the Lebanese crisis and that it would lead to diminution of Syrian influence. Meanwhile, the continuing efforts of Syrian forces to break Palestinian-leftist resistance suggest that Asad is determined to avoid a humiliating

military setback at the hands of his opponents and to assure Syria's continued predominant role in resolving the Lebanese crisis.

Even should Asad succeed, the price may be high at this point. By taking on the independent Palestinian groups—especially Arafat's Fatah—he has already severely strained Syria's relations with the PLO, tarnished Syria's role as champion of the Palestinian cause, driven Arafat into the hands of Syria's arch-rivals, Egypt and Iraq, and seriously compromised his aspirations to Arab leadership.

Moreover, the staying power of Asad's regime is being put to a severe test on the home front. Asad does not appear to face an imminent coup and still seems to be firmly in control. Tensions, however, are running high in Damascus and the Syrian capital is awash with rumors of serious unrest within the regime. Some of his closest military advisers reportedly continue to oppose his policy of armed intervention.

Israeli Reaction

By contrast, the Israeli government is under little domestic pressure to change its policy toward Lebanon. Two of Prime

Minister Rabin's most prominent conservative critics, former defense minister Moshe Dayan and Menehem Begin, leader of the Likud opposition coalition in the Knesset, joined a growing chorus of Israeli newspapers this week in urging the government to remain out of Lebanon. Dayan said in a press interview that he opposes Israeli intervention, even if the Syrians occupy Beirut and go below the so-called "red line" that the Rabin government has repeatedly warned Damascus against crossing.

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RHODESIA

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More aggressive tactics by Rhodesian security forces have led to increasing clashes with small guerrilla bands and higher casualty figures. According to the Smith government, 104 guerrillas and 23 members of the security forces were killed last month.

Despite these actions and the recent call-ups of reserves, the insurgents are still operating over wide areas, stretching the regime's resources. Guerrilla activity may have spread to northwestern Rhodesia for the first time this week. The government announced that a bomb planted by "saboteurs" had damaged three civilian airplanes at an airstrip near the border with Zambia.

The guerrillas appear to be making a special effort to demoralize the Rhodesian white community. Five white civilians were killed early this week, the latest in a series of insurgent attacks on whites over the last month or so.

Such attacks may give new impetus to an exodus of whites that has been under way. During April, the country's white population decreased by more than 800—by far the highest monthly total since Smith's unilateral declaration of independence in 1965. In an effort to slow the departures, Rhodesian authorities reportedly are stalling on requests for credentials required to enter South Africa.

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About 20,000 peasants recruited by the ruling military council to fight separatist guerrillas in Eritrea Province continue to gather along the southern border of the province, but have not yet been ordered into the region.

The delay is probably due in part to problems with supplies and equipment. The peasant forces report serious shortages of arms and ammunition; they also lack food and adequate clothing.

Logistic problems and insurgent attacks have prompted large numbers to desert. More peasants are being recruited; as many as 30,000 are reportedly being assembled at various points in Ethiopia.

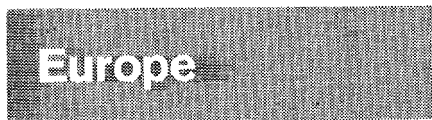
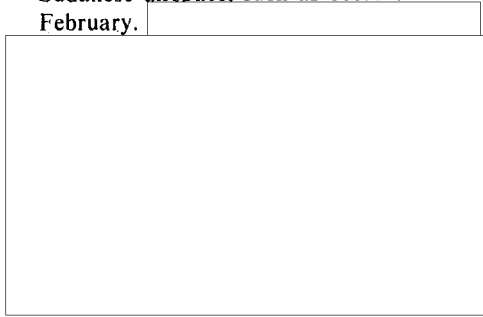
The Council may also be delaying military action to get peace negotiations started on the basis of its offer, reiterated last month, of limited autonomy for the province. An Ethiopian delegation is touring Arab capitals in an attempt to generate pressure on rebel leaders to engage in peace talks. The delegation has visited Khartoum, Aden, and Cairo, and is due to travel to Algeria, Libya, and probably Saudi Arabia.

Sudanese President Numayri, who has made previous efforts to arrange talks between the Ethiopians and the Eritreans, has promised to try again. The insurgents, however, have not responded to the peace feelers, and the prospects remain slim for

significant early progress toward negotiations.

Numayri, despite his professed willingness to act as mediator, continues to allow the rebels to funnel arms supplies and infiltrate guerrillas via Sudan. He also remains highly concerned that military operations in Eritrea will spill across the border.

He has warned Addis Ababa that he will not tolerate Ethiopian violations of Sudanese airspace, such as occurred last February.

**ITALY***7-11*

As the Italian election campaign heads into its final week, debate is centering on three major issues: the Christian Democrats' record in government, the future role of the Communist Party, and the sharp increase in politically motivated violence.

The Christian Democrats are under attack from all sides. The Communists are coupling their demand for participation in the government with the charge that Italy's problems stem from 30 years of "bad government" by the Christian Democrats. Most of the Christian Democrats' previous coalition partners—the Socialists in particular—cite Christian Democratic "hegemony" as the root cause of the government's failure to make improvements.

The Christian Democrats have responded by emphasizing the uncertainties that would accompany Communist entry into the government rather than defending the Christian Democratic record. The Christian Democrats appear to have set aside internal differences in an all-out effort to retain their position as Italy's largest party.

Despite the Communists' insistence that no effective government can be formed without them, there are signs that the



Christian Democratic campaign poster asks, "Do you want Italy to go Communist?"

party will not press the issue unless forced to do so by massive gains.

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Meanwhile, the assassination this week of Genoa's politically conservative public prosecutor, presumably by left-wing extremists, ensures that political violence will remain an election issue. All parties condemn the violence that has occurred during the campaign but disagree over who is best qualified to deal with it. While the Christian Democrats say they are the only party able to maintain public order, the Communists charge that the Christian Democrats, by virtue of their long domination of the government and their stress on anti-communism in the campaign, are to blame for the climate that encourages violence.

The director of Italy's principal public opinion organization reportedly believes that the law-and-order issue now favors the Communists—a finding consistent with other evidence that the Communists are being viewed by many in the middle class as better guarantors of public order than the Christian Democrats.

UNITED KINGDOM

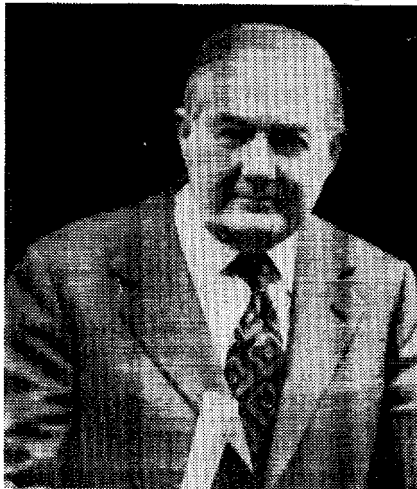
The pound rebounded this week in the wake of good economic and political news, giving the Labor government sufficient strength to fend off a censure motion in Parliament by the opposition Conservatives.

Sterling rose more than 4 percent from its record low on Jun 3 to close at \$1.77 on June 10. This recovery followed the Bank of England's announcement that it had arranged a stand-by credit of over \$5 billion with the Group of Ten, Switzerland, and the Bank of International Settlements.

The positive impact of these developments was reinforced by events in the political sphere. The miners' union voted to accept the proposed "phase two" wage guidelines and removed a major

threat to the government's anti-inflation program. Prime Minister Callaghan and Chancellor of the Exchequer Healey followed up with strong declarations of intent to control the level of public spending and the money supply, the underlying elements in sterling's steady decline.

The Labor government will have to curb public spending to achieve more than a temporary stabilization of the pound.



Prime Minister Callaghan

There are fears that the enormous \$20-billion deficit projected for the current fiscal year could set off another round of inflation. The Tories, sensing Labor's weakness, are demanding specific government action on cutting the budget and setting clear monetary targets.

The Labor government is especially vulnerable to a Tory attack because it is three votes short of a majority in the House of Commons and must depend on minor parties to remain in power. Labor, which narrowly escaped defeat on May 27 over its plans to nationalize the shipbuilding and aircraft industries, prudently postponed further action on the bill.

The Conservatives, however, continued to press their attack on the government's economic policies. They forced a debate and a confidence vote on Labor's general performance this week, but failed to receive the support of all the minor parties in Parliament. The Scottish Nationalists voted against the government, but enough

Liberal, Welsh, and Ulster Members of Parliament abstained to enable Callaghan to survive.

If sterling rises to around \$1.80, and remains there for several months and Labor parliamentary strategists avoid costly errors of judgment, the Callaghan government should survive until early August, when Commons adjourns until October.

PICTORIAL PARADE

Soviet Union

FOOD SHORTAGES

Shortages of certain food in the USSR are becoming more widespread and more severe, even though supplies of bread remain adequate. The lack of meat and other livestock products may have led to some civil unrest.

The availability of spring vegetables should soon ease the overall food situation, although meat shortages will increase. Meat processing in April was down 22 percent from a year ago.

Ambassador Stoessel reports that on a recent trip to Siberia, he found the food situation considerably worse than had been reported during the past winter. Embassy officials saw long lines in Khabarovsk and some jostling by shoppers trying to buy fatty pork; there was evidence of rationing in Irkutsk. In these cities, frozen fish apparently is being substituted for meat. Vegetable supplies were largely adequate, but selections were limited.

Western press reports that food shortages have caused localized protest demonstrations in Kiev, Riga, and Rostov have not been confirmed; nevertheless, comments by recent emigres from the USSR now in the West suggest that the food situation in March and April was considerably worse outside the central business areas of major cities usually visited by westerners.

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the military government. To accomplish this they believe that government economic policies will have to provide for a more equitable distribution of wealth.

Hard-liners opposed to these and other plans, ranging from ambassadorial appointments to revising foreign investment laws, include a number of high-ranking army officers who have a sympathetic junta member in Admiral Emilio Massera.

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Admiral Massera

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Western Hemisphere

ARGENTINA 29-34

Conservative Argentine military officers are trying to force President Videla to take a tougher line on a broad range of issues, particularly subversion. Unless Videla asserts himself, the cohesion of the military will be threatened.

Videla and the advisers who share his moderate and methodical approach to national problems are trying to curb arbitrary arrests by police and military security services, compile a list of those detained, and halt vigilante-style activities by semiofficial death squads against suspected or known leftists.

Some of Videla's subordinates are also attempting to work with Peronist labor and political leaders in hopes of eventually building a base of popular support for

The good will and confidence initially accorded the junta at home and abroad is evaporating in the face of its inability to control right-wing terrorism. Labor and political leaders are increasingly concerned about Videla's inability to enforce the moderate line he promised on taking office.

This situation is ready-made for exploitation by leftist-extremists, particularly if Videla allows the schisms within the military to grow.

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URUGUAY

The long-building confrontation between civilian President Juan Maria Bordaberry and the Council of Generals over the future structure of Uruguay's governmental and political institutions may have been postponed once again.

The conflict over fundamental issues of government appears irreconcilable, but it now appears that the military has the upper hand in its dispute with the tenacious Bordaberry.

The fundamental issue that has persisted since June 1973, when Parliament was dissolved, is whether ultimate governmental authority should rest with the military or with the civilian president.

Bordaberry sees himself as the guarantor of civilian pre-eminence in government. He welcomes the support of the



President Bordaberry

military and would institutionalize their role by rewriting the constitution and proscribing political parties. He refuses, however, to turn over complete political control and has threatened to resign first.

The generals, on the other hand, view themselves as the pillars of Uruguay's social stability and relative economic progress and plan to chart the country's political course for the next eight to ten years.

percent); the Philippines (4.12 percent); and Nigeria (3.59 percent).

Trust fund loans will carry a token interest rate of 0.5 percent annually, with repayment over five years after a five-year grace period. The first disbursements are expected to be made within six months.

NONALIGNED NATIONS

The foreign ministers of 17 nonaligned nations met in Algiers last week to prepare for the nonaligned summit scheduled for Colombo, Sri Lanka in August.

The Algerians dominated the meeting. The communique, which hewed to standard nonaligned positions, expressed support for:

- The "just struggle" of Panama to regain sovereignty over the Canal Zone and for the right of the Puerto Rican people to self-determination and independence.
- North Korean policies, the withdrawal of all foreign troops under the UN flag from the Korean peninsula, and the conclusion of a peace treaty.
- Israel's withdrawal from occupied Arab territories and the restoration of Palestinian national rights.

Although the Syrians strongly urged language calling for Israel's expulsion from the UN, it was not in the communique.

Damascus' efforts to gain endorsement for Syrian intervention in Lebanon were strongly opposed by Algeria and several others. Compromise language in the communique expressed concern over the situation in Lebanon and noted that the Lebanese themselves are primarily responsible for resolving the crisis.

The Sri Lankans will assume chairmanship of the nonaligned group from the Algerians in August, but, despite earlier speculation, the change is unlikely to introduce a more moderate tone into non-aligned resolutions.

International

IMF GOLD AUCTION

The first International Monetary Fund gold auction, on June 2, disposed of 780,000 ounces at an average price of \$126 an ounce, netting \$67 million for the World Bank's new trust fund. The trust fund is to be financed through profits from the sale of 25 million ounces of IMF gold holdings and through loans and contributions from IMF member countries.

The gold sales are being scattered over a four-year period to lessen the downward pressure on prices. Plans for the first two years call for sales of 12.5 million ounces in 16 auctions, or about 780,000 ounces every six weeks.

If the price of gold holds within the \$120 to \$125 range, these auctions would yield roughly \$500 million during the first year of trust fund operations. Thus far, no contributions or loans have been received by the fund.

The trust fund has been set up to provide balance-of-payments financing to less-developed countries. Sixty-one countries, with per capita incomes of less than \$345, are now eligible for loans. Because loans are to be allocated in proportion to the borrowers' IMF quotas in effect on December 31, 1975, six less-developed countries have a claim on slightly more than half of the available funds: India (25 percent); Indonesia (6.92 percent); Pakistan (6.25 percent); Egypt (5.05

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Asia

THAILAND 45-46

The government's decision on June 1 not to permit a unilateral US operation at the Ramasun [redacted] has sparked a bitter reaction from some prominent members of the military.

The generals are pressing Prime Minister Seni Pramot to give them, instead of the foreign ministry, the responsibility of conducting further negotiations



Prime Minister Seni Pramot

with the US, in the belief that the generals can strike a better deal with the US.

How much of a political problem the Ramasun decision represents for Seni depends on how well he balances the generals' interests against those of civilian pressure groups determined to move Thailand away from its dependent relationship with the US. The generals see a continuing communist threat from Vietnam and are anxious to preserve at least a symbolic US security presence in Thailand as a means of ensuring a US interest in Thailand's defense.

Seni is sympathetic to the generals' views, but he knows that if he reverses his public position on Ramasun he risks a strong reaction from the press, intellectuals, and some members of his own political party at a time when he is considering controversial domestic measures—raising oil and rice prices.

Seni may try to deflect the generals' anger away from himself and his government toward the US. He might let the military participate in some aspect of the negotiations in an attempt to convince them that the US is not as forthcoming as they would like to believe.

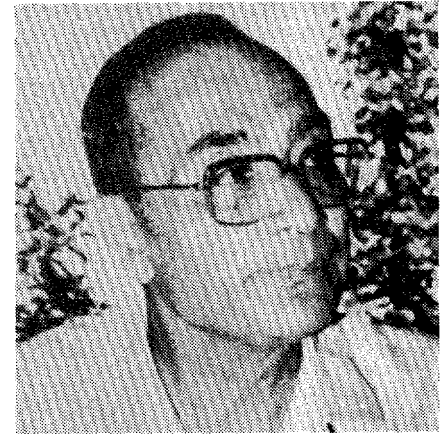
MALAYSIA-THAILAND 47-51

Cooperation between Thailand and Malaysia on insurgent problems along the border has been set back as a result of recent Malaysian cross-border operations.

Tensions erupted on April 17 when Malaysian aircraft and artillery attacked communist positions in Thailand. The Malaysians apparently did not give Thai authorities the required advance notice or wait for Thai approval. The raid, moreover, did considerable damage to Thai villages and provoked vehement protests by residents that caused Bangkok some trouble just after a national election campaign in which the removal of foreign military bases from Thai soil was a major issue.

Malaysia and Thailand have a 12-year-old agreement on mutual assistance in containing communist insurgents along the border, including the stationing of security forces in each other's territory, joint patrols, a joint military command,

Despite these arrangements, both sides are suspicious of the other's real intentions and effective cooperation is minimal. The Thai suspect that the Malaysians want to annex southern Thailand because of the large number of Muslims who live there. The Malaysians are suspicious of Bangkok's motives in tolerating the presence of Malaysian insurgent camps inside Thailand. In addition,



Prime Minister Hussein Onn

tion, local leaders on both sides are more interested in cross-border smuggling than in effective security.

The April fracas has resulted in a new, more restrictive agreement on border cooperation. Thailand's foreign minister went to Kuala Lumpur in late May for negotiations and Prime Minister Seni is scheduled to visit Malaysia later this month to sign the new accord. The new agreement reportedly restricts the stationing of troops on each other's soil and hot pursuit—both of which will hamper Malaysian military action against the insurgents.

The Malaysians, however, under new Prime Minister Hussein Onn, are seriously tackling security problems and are anxious to pursue a more vigorous insurgency campaign along the border. Kuala Lumpur apparently intends to ignore Thai objections and to continue unilateral military action in the border area, including pursuing communist forces across the border.

Although the Malaysians might get away with small scale incursions, any incident such as the operation on April 17 would undoubtedly bring another angry response from Bangkok, providing a further irritation to Thai-Malay relations and complicating Malaysia's task of trying to contain the communist insurgents in the border area. (For further analysis of Thailand's insurgency problem see page 9.)

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In recent months, the Gulf donor states have cut back on financial assistance to Jordan, Syria, and Egypt. Syria and Jordan may be forced to scale down expenditures or dig into foreign exchange reserves. Egypt must find additional funds to plug a \$1-billion payments gap.

74-77

Effects of Saudi Aid Cutback

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Syria, Jordan, and to a lesser extent Egypt are feeling the pinch of insufficient financial support from Gulf donor states.

In recent months, Saudi Arabia—along with Kuwait and the United Arab Emirates—has withheld war subsidy payments and has avoided major new aid commitments in an effort to make the confrontation states shape up financially and settle their political vendettas. Syria and Jordan, which had gone ahead with ambitious spending plans based on expected Arab cash transfers, may soon be forced to scale down expenditures or dig into foreign exchange reserves. Egypt, although the beneficiary of sizable Arab transfers early this year, must find additional funds to plug a \$1-billion payments gap; Cairo is counting on other aid sources, such as the International Monetary Fund and the major industrial countries, to make ends meet.

Riyadh's reluctance to provide additional aid reflects misgivings within the Saudi ruling family about easy aid policies and Saudi efforts to force Syria and Egypt to patch up their political quarrel. Riyadh also has soured on Jordan because of haggling over the Hawk missile deal and recent Jordanian overtures for Libyan and Soviet assistance. Kuwait and other Gulf donors seem content to follow the Saudi lead. All these states, however, would probably provide

emergency assistance if a severe economic crisis developed in any of the Arab confrontation states.

Syria has suffered the largest drop in assistance. Last year, Damascus received approximately \$800 million in Arab aid, which made possible a 30-percent rise in imports and an increase of more than \$300 million in foreign exchange reserves. Saudi Arabia provided over \$400 million in cash. Aid receipts from Arab countries so far this year have totaled only \$42 million, including \$17-million worth of oil donated by the Saudis in April.

Damascus also was hit by the recent

cutoff of oil pipeline transit payments from Iraq, which had been running at an annual rate of \$150 million. Moreover, Baghdad has stopped selling light crude to the Syrians at concessionary prices; buying this crude at commercial prices would entail a further foreign exchange drain of \$185 million a year. Damascus claims that foreign exchange shortages will result in a sharp reduction in development and defense spending. If the original plans were maintained, the current account deficit would reach \$600 million this year compared with \$440 million in 1975. Syria at the moment needs to find \$570



Saudi King Khalid and Egyptian President Sadat: Saudi grants have helped reconstruct Egyptian cities damaged during the 1973 war

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million in new financing to cover this deficit and its scheduled debt repayments.

Jordan has also run into a foreign exchange bind because anticipated Arab assistance so far has not materialized. Arab grants in 1975 totaled \$270 million, including \$115 million from Saudi Arabia, \$90 million from Kuwait, and \$65 million from other Gulf states. Most of the aid originated from Arab war subsidy agreements signed in 1967 and 1974. The US gave an additional \$170 million in budget support and military aid programs.

On the assumption that aid in 1976 would roughly equal last year's level, Jordan accelerated defense development spending. Imports were forecast to rise to at least \$775 million, a 20-percent increase over 1975. Although the Jordanians could dip into their \$450-million reserves to see them through 1976, they would take this route only as a last resort. Without further external assistance, Jordan will have to begin trimming imports at the expense of domestic development

programs.

Although currently in a cash bind and needing as much as \$1 billion to close its 1976 financial gap, Egypt is feeling less subject to Arab pressure than Jordan and Syria. The Saudis already have provided Cairo with military and economic aid of more than \$1 billion so far this year, dwarfing aid to any other Arab client. Riyadh also has promised to establish a \$2-billion multi-Arab aid fund for Egypt with disbursements of \$400 to \$500 million a year. If the Fund were implemented this year, it could cut the financial gap in half. Moreover, the economy came out of 1975 in far better shape than expected. Sadat is confident of securing a three-year, \$300-million standby loan agreement with the IMF and other new financing this year. He nonetheless realizes that Egypt will remain heavily dependent on Arab aid at least for the remainder of the decade.

Thus far there is no sign of new Arab commitments. The Saudis are becoming increasingly reluctant to provide

large-scale handouts over which they have no control. A growing number of high-level officials—both tradition-bound conservatives and prodevelopment technocrats—are complaining that many recipients not only have misused Saudi assistance but are treating the aid as a perpetual economic subsidy. This atmosphere is resulting in a tortuous review of aid applications and leading to increased Saudi indecisiveness on aid policy. Kuwait and other wealthy Gulf states also have not been forthcoming and certainly have nothing to lose by following the Saudi lead.

A severe economic crisis in any of the Arab confrontation states probably would loosen Saudi and other Gulf state moneybags. Realizing this, Jordan and Syria can be expected to play up their problems in an effort to entice more assistance. Egypt, looking to the West, will stress its positive economic achievements unless forced to go back to the Arabs for more money.

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Thai officials do not believe that the insurgent movement is likely to pose a serious threat in the foreseeable future. Apprehension that the North Vietnamese war machine might be redirected toward Thailand after absorbing South Vietnam have proved to be premature if not unfounded, and the Communists are no closer to achieving political power today than they were 11 years ago.

70-73

Thailand: Insurgency Making Little Headway

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The fall of Saigon last year sent shock waves through Thailand's officialdom. Many Thai feared Hanoi would turn its formidable army westward toward Thailand in a drive to become the most powerful nation in Southeast Asia. At best, they thought Thailand would have to accommodate its foreign policy to

Hanoi's interests or face the prospect of a stepped-up communist insurgency backed by North Vietnam.

Today the Thai are far more self-confident. Bangkok is no longer rattled by Vietnam's strident propaganda. This is due largely to the new relationship the Thai have forged with the Chinese, based in part on a mutual interest in restricting Vietnamese influence in Southeast Asia.

Also, the Vietnamese-inspired insurgent "offensive" many senior officials had expected this year has not materialized.

Thailand's new confidence was evident in last month's national election, when a conservative backlash against the political left—in part fueled by alarming accounts of life in neighboring Laos and Cambodia—propelled the center-based Democrat Party into power with a man-

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date to clamp down on lawlessness and subversive activity.

The Insurgency

The insurgents are led by a small group of doctrinaire Maoist revolutionaries obsessed with creating a revolution in the Chinese image. The insurgents' approach to recruitment is more like that of a religious order than of a dynamic political movement trying to capture people's imagination. Candidates do not simply join the insurgent cause, they are subjected to months and sometimes years of scrutiny and training before being admitted.

create a grass-roots political base countrywide have fallen flat. In the mountainous north,

communal farming practices introduced several years ago in some hill tribe villages have had to be abandoned because of local resistance. In south Thailand, the communists have had little success in establishing any viable political control at the village level. And even in the northeast, where communist political control extends to several hundred villages or more, allegiance to the insurgents is based on fear rather than on a positive commitment to the movement.

The insurgency's slow progress can be attributed largely to the Communist Party of Thailand's rigid adherence to Maoist revolutionary theory. Although the party has directed some of its energies toward

exploiting political unrest in the cities, it has concentrated on mobilizing the rural population for armed revolt against Bangkok. This appeals only to those outside the mainstream of Thai society—the hill tribes, Thai villagers living in remote areas, and Vietnamese refugees. The grievances of most ethnic Thai farmers are not serious enough to impel them to take up arms against the government.

Thai officials do not believe that the insurgent movement is likely to pose a serious threat in the foreseeable future. What does bother them is the potential for troublemaking the insurgency offers Hanoi and Peking.

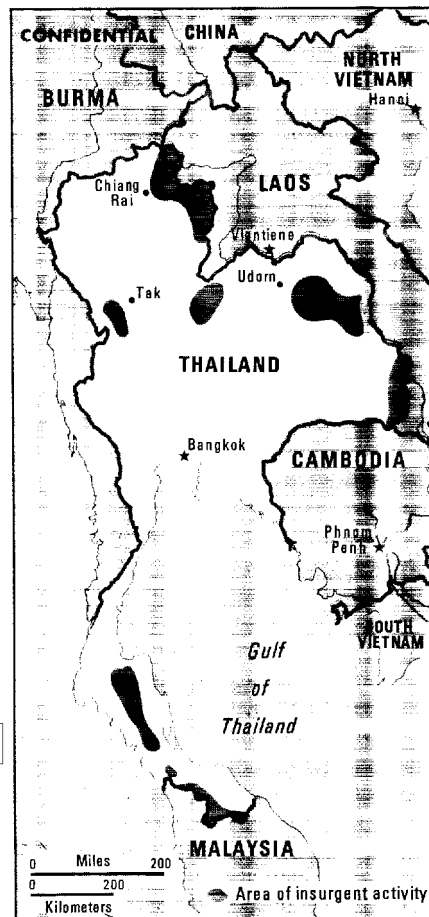
For the moment, Bangkok's apprehensions about Chinese intentions have been eased by their rapidly improving diplomatic ties. Although it is common knowledge in Bangkok that the Thai insurgent leadership has enjoyed a long and close relationship with the Chinese Communist Party, Thai officials seem convinced that Peking will not try to heat up the insurgency anytime soon, if for no other reason than that this would sidetrack China's ongoing effort to improve its diplomatic standing throughout Southeast Asia. It could also force Southeast Asian countries to turn to the Soviets as a counterbalance.

Chinese material support to the insurgents, nevertheless, continues to trickle across the border.

During the past year, the level of fighting was below that of the previous year. Such downturns in military operations have often mislead government officials into believing that the insurgency has been contained. Thai security officials usually focus on the number of clashes as a measure of the threat, to the exclusion of communist political activities in the villages. During the past year, for example, while the amount of overt violence in the northeast was dropping,

the communists were beginning to introduce collective farming practices in at least one remote area in northeast Thailand where Thai army patrols are supposed to have been active.

On balance, communist efforts to



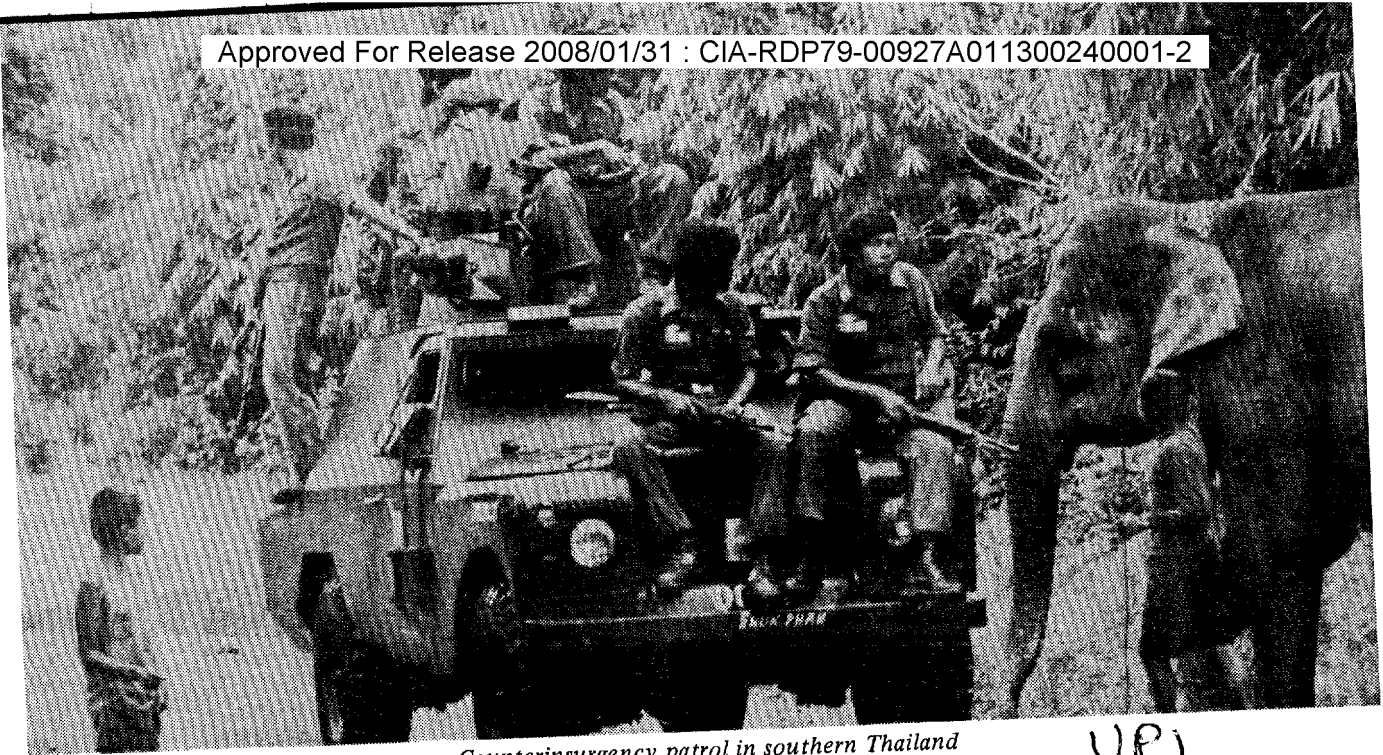
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a lack of well-trained cadre rather than the shortage of weapons has been the major problem to insurgents operating in the north. Apparently there are fewer Meo cadre in insurgent ranks in the north today than there were in 1971 and their numbers have not been adequately made up by ethnic Thai.

Vietnamese Threat

Bangkok is convinced that Vietnam poses the most serious security problem in the immediate future, although Thai concern that the North Vietnamese war

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Counterinsurgency patrol in southern Thailand

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machine might be redirected toward Thailand after absorbing South Vietnam has proven premature if not unfounded. There is fairly persuasive evidence that over the past year the Vietnamese have not substantially increased their relatively low-level of material support to the insurgent movement in the northeast, where Hanoi has been most involved.

In weighing Hanoi's intentions toward Thailand, it is significant to note what the Vietnamese have not done. They could have easily modernized the weapons of the estimated 3,600 insurgents in the northeast at any time before or after the fall of Saigon, but they have not done so. Insurgent groups sighted as recently as last month carried a mixture of communist, US, and World War II-vintage weapons.

There is also recent evidence that the Sino-Vietnamese rivalry continues to affect the relationship between the Vietnamese and Thai Communist Parties, at least at the leadership level.

will, however, be influenced by a range of considerations in addition to that of increasing its influence within revolutionary movements in Southeast Asia. The Vietnamese have ambitious development plans at home and they currently feel that it is useful to project an image of restraint in order to secure Western economic and technical cooperation. Thus, Hanoi will probably continue to provide modest material support to the Thai insurgents while retaining the option of developing government-to-government relations with Bangkok.

On balance, the Vietnamese do not yet appear to have made a final decision on the scale and nature of their future support to the Thai insurgents. There is no question that Hanoi would be capable of providing much more substantial assistance than it has in the past. The strength of the insurgents themselves and the course of Hanoi's relations with Bangkok will be key factors in Hanoi's policy decisions concerning aid to the insurgency.

Outlook

As long as Bangkok is content to contain the insurgency in the remote reaches of the kingdom, there is little prospect of significant change in the situation for the foreseeable future. Both sides have strengthened their respective capabilities in recent years to the point where a virtual

standoff has been achieved. The communists are no closer to achieving political power today than they were 11 years ago. What could well emerge is a situation similar to that in neighboring Burma, where insurgency has become a chronic security problem but is confined to the mountainous regions—a manageable but costly drain on the central government resources.

At least some members of the Communist Party of Thailand have questioned the wisdom of rejecting efforts to work through the political process to gain political power. Some bolted from the party when the decision was reached in 1962 to go underground and move into the jungles, and they have remained active in the leftist political community.

The influx of better educated urban leftists into the ranks of the party—there is some evidence of such a trend—could result in greater attention to gaining a foothold in the urban areas. At present only a limited number of party members are working with student, labor, and other urban interest groups. The results have been mixed at best, and this kind of activity is likely to have little effect on Thai politics. The communists' preoccupation with rural revolution seems destined to keep them on the periphery of the Thai political process.

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During Jafar Numayri's seven years as President he has survived several attempts to oust him, the most recent last September. For the short term, however, economic problems pose the greatest threat. Numayri has lobbied hard for assistance from wealthy Arab states and is visting the US seeking private investment and technical assistance.

Sudan Under Numayri

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President Jafar Numayri is in the US this week seeking private investment and technical expertise for development projects in Sudan. He may also raise the question of military assistance with US officials.

Numayri, 46, has been in power for seven years, surviving several attempts to oust him. A communist-inspired coup attempt in July 1971, which nearly succeeded, left him with an abiding wariness of Sudanese communists and the USSR.

The President's most notable achievement has been the resolution in 1972 of the civil war in his country's southern provinces. The area, populated largely by black Africans, has been granted a large measure of autonomy—there is a regional assembly and governing council—and a southerner is a vice-president of the country. Former southern rebels have not yet been fully integrated into the national army and many still fear domination by Arab northerners, but on the whole Numayri has the support of the region.

Domestic Position

Numayri, who was a colonel when he seized power in May 1969 and is now a full general, has sought to maintain his ties with the army but has had difficulty maintaining the military's loyalty. Last September, army dissidents allied with conservative religious groups tried to oust him.

He has attempted to appease the military by rehabilitating and returning to public life several former associates pop-

ular with the armed forces. Unrest in the military appears to have subsided in recent weeks but could resurface at any time.

Numayri has tried to broaden his political base by creating a mass political organization, the Sudanese Socialist Union, modeled on the party Nasir established in Egypt. Numayri says the leftist-dominated organization has 2.5 million members, but, in fact, it has had little success in winning the support of a broad cross-section of Sudanese society.

Although Numayri's base of support remains narrow, he is not likely to face a serious challenge from any non-military source. Most Sudanese politicians have been neutralized by long periods of exile.

University students, a source of considerable anti-regime activity in the past, are kept in check by sharp repressive action by the security forces and frequent closings of Khartoum University. Conservative religious groups, such as the Muslim Brotherhood and the Ansar sect, appear to be lying low. Labor unions—often an unsettling element in Sudanese politics—are now under tight government control.

The Sudanese Communist Party, officially proscribed since the 1971 coup attempt, functions underground and poses a long-term threat to Numayri. With a hard core of 3,500 to 5,000 members, it has long been one of the largest and best organized communist parties in the Middle East. []



President Numayri

In recent months, security officials have arrested at least 100 alleged communists. The party appears willing to bide its time until its followers are able to gain influence comparable to what they had before July 1971.

For the short term, economic problems pose the greatest threat to Numayri. In the past, shortages of essentials or sharp increases in the price of basic commodities have brought demonstrators into the streets, and anti-regime groups have

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tried to exploit the discontent.

Development Program

Numayri has launched a broad program of economic development. Sudan is the largest country in Africa and has the potential to become the breadbasket of the Middle East and Africa, but it is now one of the world's 15 least developed countries. Sudan is heavily dependent for foreign exchange on the export of cotton, gum arabic, peanuts, and sesame seed.

Numayri has lobbied hard for economic assistance from wealthy Arab states to finance agricultural projects. Last month he asserted that the Arab Authority for Agricultural Investment, a new agency of the Arab League, had agreed to finance various projects worth \$2.2 billion over the next several years.

Saudi Arabia and Kuwait have already invested heavily in Sudan. They are involved in a \$240-million project in southeastern Sudan that is to bring 120,000 hectares (300,000 acres) into cultivation.

Despite the flow of Arab money, there are major impediments to rapid economic development. For example, in a country

the size of the US between the Mississippi and the Rockies, there are only about 490 kilometers (300 miles) of asphalt-topped roads—most of that is the US-financed road from Khartoum to Wadi Medani. Other means of transportation are also inadequate.

Sudan has more than 17 million people but lacks trained management personnel, administrators, and technicians.

Relations with Moscow

Sudan's relations with the USSR have been cool since the July 1971 coup attempt. The execution of the secretary general and other major leaders of the Sudanese Communist Party evoked a massive propaganda attack from Moscow and its East European allies. The Soviet ambassador was recalled and Numayri refused for over a year to accept a replacement.

The USSR has made an effort during the past year to improve relations. Last February the Soviets gave 12 MIG-17s to the Sudanese air force, and in April the chief of the Soviet general staff paid a three-day visit to Sudan.

Numayri, nevertheless, clearly intends to keep the Soviets at arms length. In a

television address last April, he stated bluntly that his country has no use for Soviet ideology and would find its own path for achieving social and economic justice.

Relations with Neighbors

Sudan's relations with Egypt and Saudi Arabia have improved markedly during the past few years. Numayri was one of the few Arab leaders to give open support to Sadat's negotiations with Israel that culminated in the second Sinai agreement. Egypt has responded by providing Sudan with much-needed technical assistance.

Saudi Arabia has provided Sudan with \$185 million in economic aid through the first quarter of 1976. The Saudis have promised another \$145 million.

Sudanese-Ethiopian relations were long marked by mutual distrust and antipathy stemming in part from Ethiopia's sympathy for the southern Sudanese rebels. Relations improved following the end of the civil war, but have deteriorated again because Sudan has allowed Eritrean guerrillas to use Sudanese territory to receive and transport arms supplied them by various Arab countries.

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After an unprecedented five years in office, Hugo Banzer still has a firm grip on the presidency. He has never been personally popular and has lost most of his original civilian supporters, but his administration is now attracting increased financial backing from domestic and foreign sectors because of the prolonged political tranquility.

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Bolivia: President Banzer

Hugo Banzer has been President of Bolivia for almost five years, a notable achievement in one of the most politically turbulent countries in Latin America. This tenure is the more remarkable because Banzer is not personally popular and has lost most of his original civilian support.

Banzer has proved adept at thwarting attempts to overthrow him and skillful in

cultivating the military high command. Most of his enemies are either in exile or too disorganized to mount a serious move against him.

Despite a drop last year in the price of minerals—Bolivia's prime export—the country's economy has improved considerably during Banzer's tenure. The development of oil and natural gas resources and a doubling of tax revenues are largely responsible.

Staying in power has been a major preoccupation of all presidents in this Andean country of nearly 5.5 million, half of whom are Indians. Since Bolivia became independent in 1825, only 40 out of 187 chief executives have held on to their jobs for more than five days. Two of these, Victor Paz Estenssoro and Hernan Siles, managed to stay in office for four straight years each, but both were elected with broad support of the Nationalist

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Revolutionary Movement, which had embarked the country in 1952 on the first authentic social revolution in the hemisphere since the Mexican Revolution in 1910.

After a dozen years in power, the revolutionary momentum ran down, the Movement was shattered with internal dissension, and it was driven from power. It had improved the lot of peasants and miners, but its social goals were largely unmet.

In 1971, after power had shifted rapidly through four intervening presidents, Banzer seized power at the head of a military coup. He tried to build a broad-based political coalition, but the fragile alliance among the army and two mutually hostile political groups never got off the ground.

In November 1974 he outlawed the Movement along with all other political parties following yet another coup attempt by young army officers. Since then, Banzer and his senior military colleagues have run the country with little help from civilians.

Recently there has been a resumption of political activity, particularly among the potentially powerful miners who have suffered from inflation and the drop in mineral prices. So far Banzer has avoided a clash with radical union leaders by granting wage increases and allowing a national miners congress. All political and union activities, however, will continue to be carefully monitored and controlled by the central government.

The economy has benefited from nearly five years of relative tranquility and administrative continuity. Despite these factors and an abundance of natural resources, Bolivia remains the poorest country in South America, lacking the manpower or expertise to exploit its immense hydroelectric potential and iron ore deposits or to make full use of its petroleum and natural gas supplies.

Foreign Policy

Banzer has been both rational and successful in dealing with the outside world when compared with his immediate predecessors, generals Ovando and

Torres, both strident nationalists. Most important, Banzer has improved relations with the US. Although his government has not reversed previous actions nationalizing US businesses, Banzer has worked out and adhered to compensation formulas and has limited his anti-US rhetoric.

He still resents the fact that the US maintains a stockpile of tin to control prices on the international market. His government is also pressing for US assistance in replacing obsolete military equipment.

A major foreign policy goal has been to regain access to the sea, which Bolivia lost in a 19th century war with Chile. Banzer took a step toward this goal last year when he reopened relations with Chile after a 13-year interruption and began negotiations for an outlet to the sea with Chile and Peru. Despite his optimistic rhetoric, however, he recognizes that the most Bolivia can hope for is better access to Chilean ports. After whipping up nationalistic sentiment for a "return to the sea," he now says Bolivia should be able "to obtain a resolution" of its landlocked status by 1980.

In perspective, Banzer's government is a return to the generally conservative governments that prevailed through most of Bolivia's political history. The ease with which Ovando and Torres were ousted demonstrates that their radical policies lacked popular support in a basically conservative society where loyalties tend to be local and provincial, rather than national.

Banzer is in close step with the conservative military-backed governments in neighboring countries.

Executive security is not absolute in Bolivia. Some civilian politicians are agitating for a bigger role in government. Many army officers also resent the diversion of funds into building an economic infrastructure rather than into equipping the armed forces with modern weapons.

Banzer's remarkable skill at finding mutually acceptable but stopgap solutions is likely to keep him in office, at least for the short term.



President Banzer

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